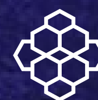
Middle East Strategy
Reimagining Hospitality



AL RAJHI *Hospitality* | Strategy 2020

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RAK Hospitality Overview

Report Overview

Ras Al Khaimah (RAK) , the fourth largest and northern most emirate of the United Arab Emirates . has experienced rapid economic growth in recent years .

Tourism is one of Ras Al Khaimah's most important econom ic sectors and is considered a key engine for continued GDP growth and job ncreation .

The curren t edition of the publication includes key updates from the previous issue, Ras Al Khaimah - The Emirate of O portunit ies, paying particula r attention to the growing hospitality market.

Key Tourism Highlights of 2019

• Ras Al Khaimah welcomed 1,113.197 visitors in 2019 . an increase of 3.8% over the previous year.

• RAK guest's average length of stay is 3.21 days in 2019. with international arrivals staying for 4.27 days.

• Continued growth from key source markets with Russia leading by 14% followed by India (10%) in 2019 .

• Major projects in the pipeline with develoment of over 3,800 keys on Al Ma~an Island, including Movenp ick hote I, Address hote I. Rove hotel , Hampton by Hilton, among others.

As the emirate continues its expansion plans lo meet its growth targets. several initiatives have been announced which are expected to raise its tourism profile and further build Ras Al Khaimah 's position as a leading leisure destination.

Figure 2

Ras Al Khaimah tourism development authority 2019-2021 strategy

Mission

"Transform Ras Al Khaimah·s tourism industry into a sustainable driver of the economy of the Emirate."

Total visitors
1.5 million

Additional keys
5000

Tourism Employees
10.000

Vision

"Inspire travellers by delivering sustainable nature-based adventure and authentic cultural experiences.·

RAK Tourism Strategy
Demand Characteristics

RAKTDA's tourism strategy Is responsible for accelerating visitor growth and raising the contribution of the sector to the Emirate's GDP. The introduction of new demand generators. including the World's longesl zipline, helped fuel visitor growth.

Leisure Destination

Ras al Khalmah Is predominantly a leisure destination, driven by both the domestic and International market. Leisure guests make up the larges! group of guests to the beach and desert resorts.

Development of Rak Airport

RAK airport is set for further expansion which will Introduce six new aircraft gates, 70% more check-in counters and 40% more relail space. This will increase the passenger movements capacity of the airport. In 2019, Intematlonal travellers made up 81 % of visllors to Ras Al Khalmah.

Pegasus Airlines, began operating fllghls between Islanbul Sablha Gtik~en International Airport and Ras Al Khalmah Intemalional Airport. In OclOber 2019. This new night operation Is expected lo further connecl the Emirate wilh 26 European destinations including Germany, Switzerland and the Netherlands.

Figure 2

Numbers of visitors

Year	Visitors
2015	**740,383**
2016	**820,772**
2017	**975,823**
2018	**1,072,066**
2019	**1,113,197**
2021 RAKTA Goal	**1,500,000**

Average lenght of stay

2019
3,21 nights

Diversified source markets

The UAE residents remain the top key source market for Ras Al Khalmah, generating 39% of overall visitors.

In 2019, Russia was the number one International source market wllh 94,703 visitors (14%), followed by India (10%) and Germany (9%).

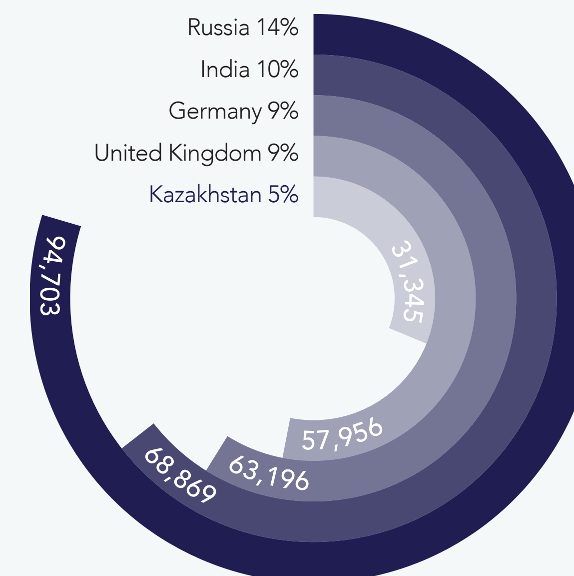
Continued growth in visitor arrivals

The Emirate experienced a further Increase In tourims arrivals by 3.8% In 2019 compared to the previous year, bringing lhe total arrivals to 1.13 million.

Average length of stay

The overall average lenglh of stay In 2019 for Ras Al Khalmah was 3.21 days, International visitors have a longer lenglh of stay at 4.27 nights compared to 1.57 nights by the domestic market.

Figure 3 Top Five Source Markets



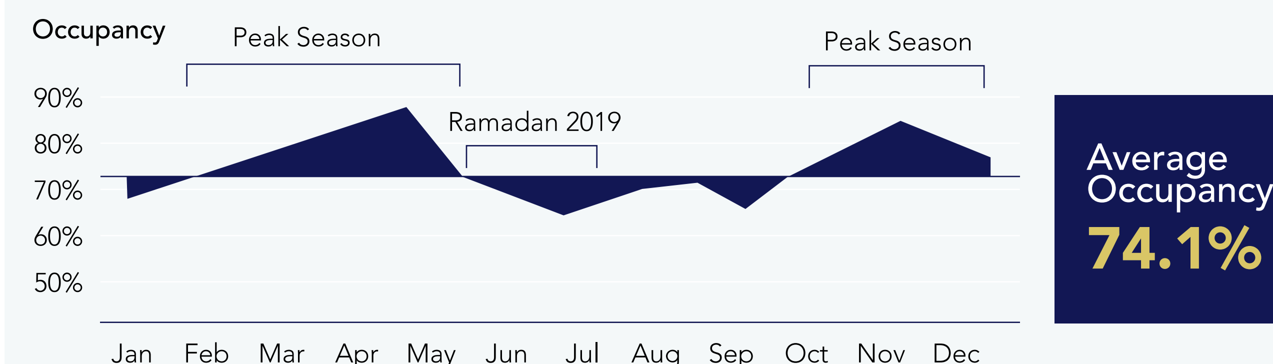
Market Update

Ras Al Khalmah registered in 2019 a total of
1,113,197 visitors
which represented an increase of 3,8%

Established Seasonality

The peak season in Ras Al Khalmah runs from March to May. The largest drop In occupancy occurs during the Holy month of Ramadan. as is common In the UAE hospitality market.

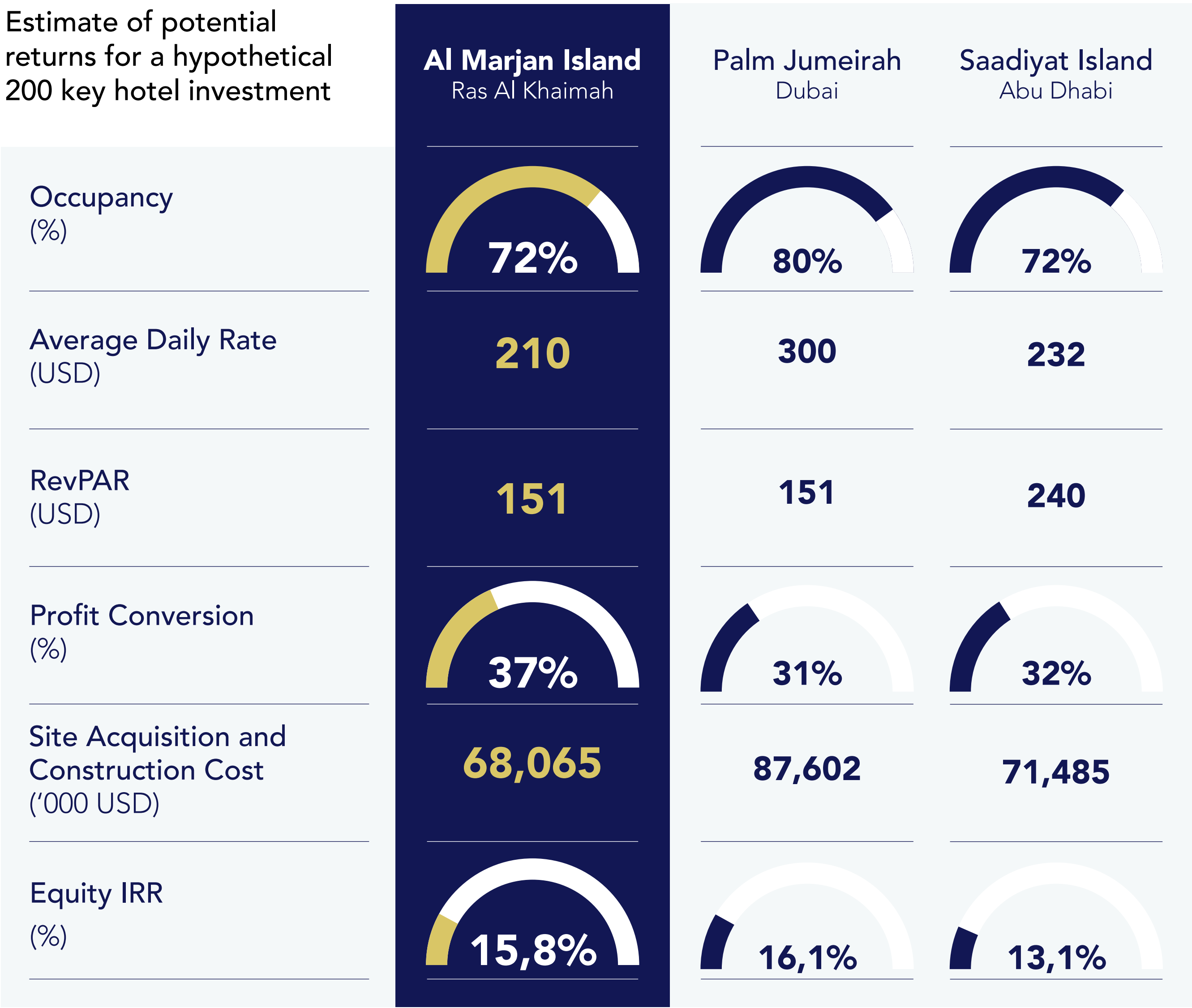
Figure 4 Seasonality



Return on Investment *Analysis*

In this section, we explore the potential return on investment that exists from hotel development within the Emirate of Ras Al Khaimah at present. Our analysis focuses on the Al Marjan Island development within Ras Al Khaimah, which is well known for being home to a number of beach hotels.
For comparison purposes, we have also carried out a similar exercise on two other well known resort areas within the UAE, namely, Palm Jumeirah, Dubai and Saadiyat Island, Abu Dhabi.

Figure 2



Estimate of potential returns for a hypothetical 200 key hotel investment	Al Marjan Island Ras Al Khaimah	Palm Jumeirah Dubai	Saadiyat Island Abu Dhabi
Occupancy (%)	72%	80%	72%
Average Daily Rate (USD)	210	300	232
RevPAR (USD)	151	151	240
Profit Conversion (%)	37%	31%	32%
Site Acquisition and Construction Cost ('000 USD)	68,065	87,602	71,485
Equity IRR (%)	15,8%	16,1%	13,1%

Notes: 1. Based on a 200 key hypothetical hotel in each of the mentioned locations; 2. Assumed the hotels are managed by an International Hotel Operator;3. Assumed Upper Upscale Positioning 4. IRR has been calculated using a 50:50 Debt to Equity assumption; 5. Operating assumptions as shown above are based on stabilized year.
Disclaimer: The projections provided with respect to each of the hypothetical hotels are estimates only, and are based upon Colliers opinion on how each of the hypothetical hotels could perform within the respective markets. Estimates have also been made regarding land acquisition and construction costs per submarket.
The projections do not have regard to unexpected or shock events which may impact the tourism and hospitality sectors such as the COVID-19 outbreak.

Current Supply

The Ras Al Khaimah hospitality market consists of a mixture of hotels and resorts, serviced apartments and guest houses. The majority of guest houses, serviced apartments and city hotels are located in or in close proximity to RAK City. Resorts, which dominate the market, are typically located towards the south of the coastline as part of upcoming developments, as well as two desert resorts.

The hotel market is led by Hilton Worldwide, which currently operates 6 properties. Changes to supply in 2017 included the opening of the Jannah Resort and Villas, The Hilton Garden Inn, CityStay Hotel Apartments and the 2018 opening of Citymax Hotel RAK. There were no new properties that were opened in 2019.

Growth in Supply

Approximately 7,000 keys have already been announced to open in the next 5 years of which 3,500 keys are expected to enter the market in the near future.

Emaar has planned their entry into the Ras Al Khaimah market with 620 keys on Al Marjan Island and is expected to be a development covering two million square feet. Radisson Hotel Group will also enter the market, with over 400 keys, focused on Al Marjan Island.
The continued development of Al Marjan Island will compliment existing properties as the Island is able to offer additional choice and attractions to visitors.

Figure 5 Evolution of Supply

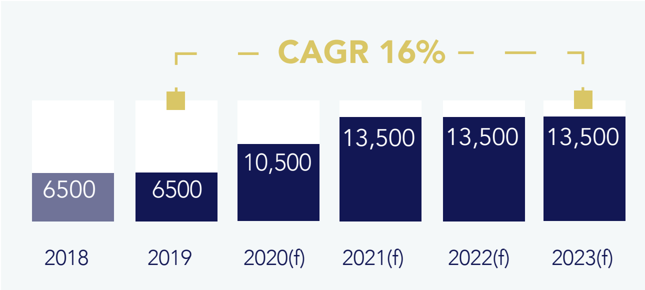
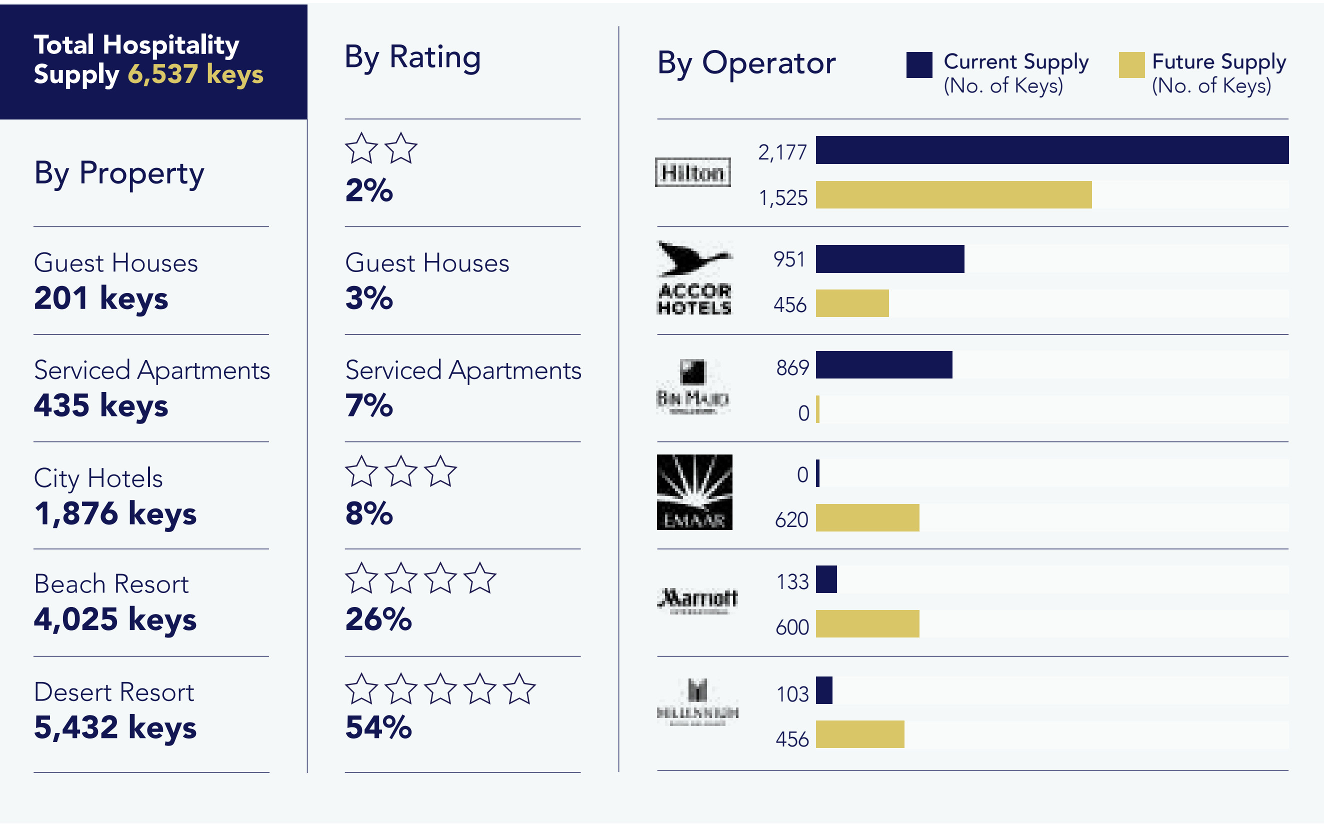


Figure 6 Hospitality Supply Characteristics



Market Update

HOT SPOT: AL MARJAN ISLAND

There are currently only 3 hotel internationally operated properties operating on Al Marjan Island at present. However, 66% of forthcoming supply is expected to open on the man made island by 2025, along with several other developments including residential and mixed-use schemes, public parks and a food & beverage / retail promenade.

Market Highlights *Opportunities*

Growth in hospitality performance

• Existing and forthcoming supply of quality, internationally branded resorts along the coastline
• Hotel performance has withstood increases in hotel supply.
• Stable performance of Ras Al Khaimah hospitality market, expected to improve in the coming years as existing supply stabilize and the entry of additional quality supply

Investor friendly & attractive potential returns

• Ras Al Khaimah's free trade zone has zero tax on income and capital gains as well as no property transfer or value-added tax
• Although not as well known internationally as the emirates of Dubai and Abu Dhabi, Ras Al Khaimah can offer similar attractive hotel investment returns for owners/ developers
• Good levels of profitability, along with more affordable land prices, offer hotel investors in RAK the opportunity to achieve attractive returns

Ease of accessibility

• RAK International Airport, 25 km from the city centre, facilitates a diverse range of source markets and is set for expansion
• Dubai International Airport is 45 mins from Al Marjan Island and Al Hamra Village
• The emirate has 5 seaports and several marinas

Stable leisure demand

• RAK benefits from leisure demand, of which an increasing portion originates from the international market
• The emirate offers a variety of unique features, with the longest stretch of coastline and tallest mountain in the UAE, cultural and heritage sites and diverse landscapes
• Upcoming mega projects, including further development of the popular Al Marjan Island and Mina Al Arab

Focus on tourism

• Increase in guest visitation by 3.8% and increase in resort occupancy rates by 2.4% from previous year.
• Dedicated tourism authority, Ras Al Khaimah Tourism Development Authority (RAKTDA), aiming to grow tourism into the leading socioeconomic driver.

Figure 6 Development Opportunities

Destination Hotels	Opportunity to further develop resort properties offering an extensive range of leisure facilities	Potential opportunity to develop wellness resorts around natural thermal springs and the coastline
Midmarket Resorts	Simple and efficient in design, with modern amenities and meeting facilities	Opportunity for new brands to enter the market with large-scale family friendly resorts
Branded Residences	Branded residences component within resort properties to cater to investors	Market gap for serviced apartment products within resort properties
EWAA Tourism	Opportunity to further develop sustainable, ecofriendly desert & mountain resorts and camping	Family friendly resorts with education activities and a focus on conservation
Trendy F&B Offers	Focus on unique F&B concepts to act as a draw factor for hotels and attract walk-in guests	Opportunity to introduce new F&B concepts through leasing or franchises



RAK Desert Resort
Pilot Project

This proposal presents an exclusive opportunity to invest in the proposed RAK Desert Resort.

The Resort is a unique concept for a leisure destination, the first of its kind in the UAE and intended to be one of five developments across the MENA region.

The equity IRR is projected to be 13.9% based on conservative estimates.

The RAK Desert Resort is an innovative project encompassing the themes of nature, wellness & ecotourism.The Sponsor envisioned a destination where guests could be at complete leisure while experiencing the heritage and rich culture of the UAE.

The idea is to provide a high-quality stay for local & international tourists at an affordable price. The resort will target a price point below the current average 5* offering while providing significantly more amenities & unique features that will cater to visitors of every demographic.

The Resort has completed the pre-concept design and is close to completing the detailed design phase. Commercial building permits, tourism approval an rating have been obtained, FEWA allocation has been made, infrastructure development and some pre - construction development have already taken place and project financing approvals have been granted and underwriting is underway.

The land has been valued in 2019 by Deloitte at AED 52 million. In addition to the land, the sponsor has spent AED 30.6 million to date as development expenses.





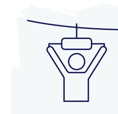
Property Highlights

Features

Projected to be completed in Q1 of 2022, the property nestled in the rolling sand dunes and situated across different levels, will compromise a 5-Star desert resort with a full leisure and recreation facilities coupled with unique Food & Beverage offerings.



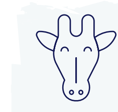
Historic-style architecture 112 Hotel Rooms,80 Chalets, 10 Villas; 4 Specialist F&B Outlets & an outdoor Heritage Village with a traditional restaurant and entertainment.



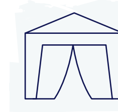
Zip lines, Splash Pads & Kids Zone, Petting Zoo, Animal Feeding, Animal Rides, VIP Animal Experiences for day visitors.



10 Unique Animal Facing Treehouses & themed restaurant/bar nestled in the heart of the Zoo park with exclusive in-room animal experiences for guests.



One third of the plot is dedicate to a petting zoo and wildlife experience complete with animal based activities, a kids camp and recreation centre & outlets for day visitors and guests.



Offsite themed Bedouin Tents & Camp with the opportunity to Camp under the stars or enjoy an experience the Camel Farm, Caravan Camel Riding & Quad Biking.



Approximately a 15-minute drive from the popular Marjan island tourist destination, beach resorts, malls & proposed nightlife venues.

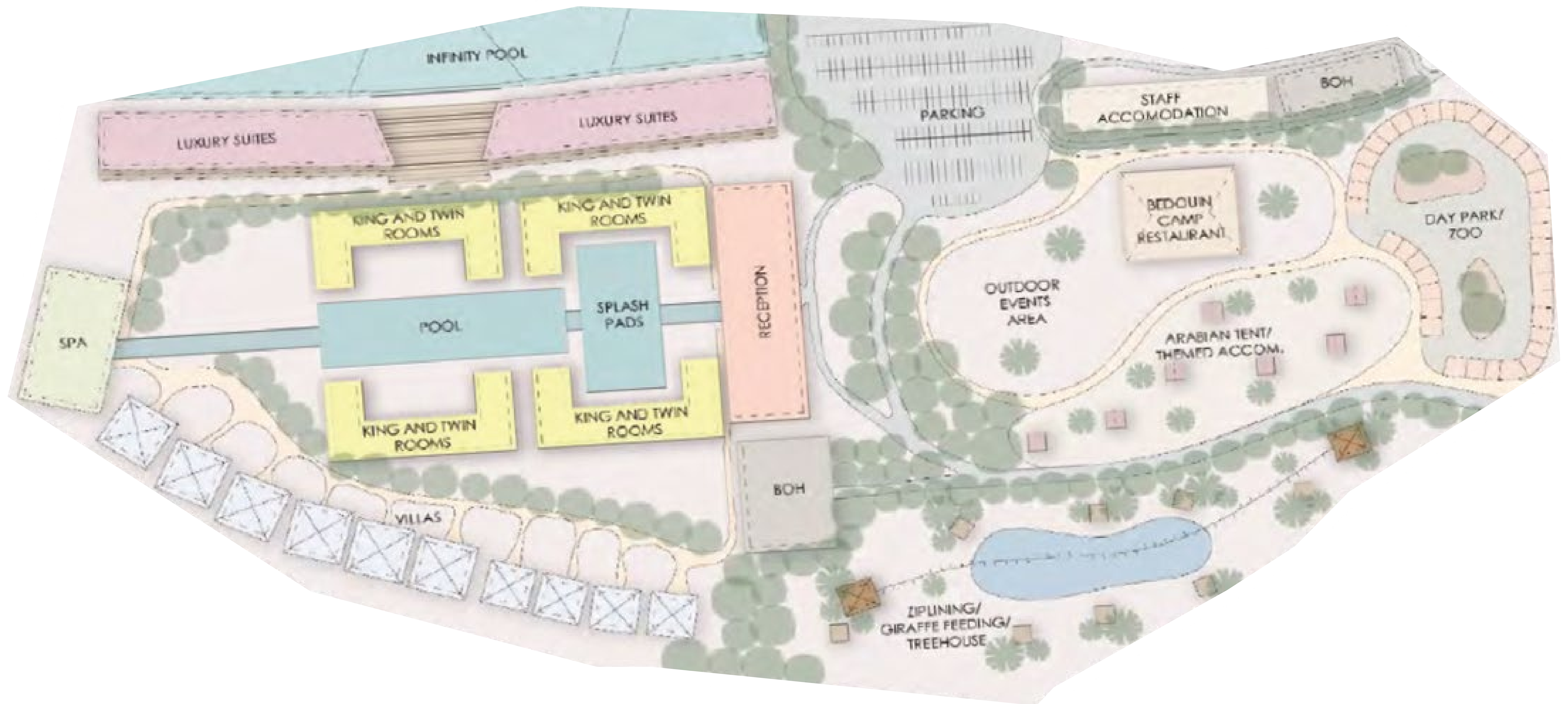


Nature Themed Wellness Spa, Gym, Yoga Deck, Jogging Tracks, Bike Paths, Adult Only Pool, Cooking Classes & Desert Trails.



Located in Ras Al Khaimah, 28 km from the RAK Airport and 45-min from Dubai with access from Mohammed Bin Zayed Rd and Emirates Rd.

The Concept
Proposed Layout



A Unique Leisure Destination

Investments Highlights

Profitable Unique Leisure Destination

The proposed project is unique combining the features of a desert resort with nature focused entertainment activities at an affordable price to make it the first-of-its-kind leisure destination in the UAE. The strategy for the Resort is to position itself to undercut current and proposed 5-star resorts and attract volume due to the uniqueness of its concept and diversity of offerings, thereby driving profitability. P&L is expected to stability in two years generating an EBITDA Margin of ~31% on average over 10 years.

Strategic Alliance with Global Operator

The resort was initially signed up with Millennium Hotels and Resorts to manage the hospitality segments. The Adventure Park and Wildlife Preservation Area will be managed under a Zoo Operator Contract and license and approval has already been obtained for animal based activities. The sponsor has bee approached by Accor Group and is exploring the opportunity to replace the Millennium Brand with an alternative, resort focused operator.

Exposure to rapidly developing tourist area in the UAE

The Emirate of Ras Al Khaimah has started developing infrastructure and expanding the city significantly in the last few years. RAK Tourism Development Authority has focused on growing tourism to the Emirate with a three-year strategy of "Destination Ras Al Khaimah 2019", which sets out a new agenda to ensure the long-term success and viability of this rising sector.

High Quality real estate with future upside potential

The land bank is located in Ras Al Khaimah (RAK) covering a total size of 194,144.69 sq.m. (2,089,754.03 sq.ft.) and is currently valued at AED 52m. Infrastructure has been developed to provide access from Mohammed Bin Zayed Road and Emirates Road. With the proposed development of the Desert Resort, the total project value including the land will exceed AED 320m. The steady stream of income expected to be generated will increase the total equity value. Conservative estimates show equity IRR of 13.9%.



Site Location
Access

Location

The Property can be accessed from both Mohammed Bin Zayed Road and Emirates Road, two major thoroughfares connecting both Dubai and Ras Al Khaimah.

The Property can be accessed by traffic travelling north east on Emirates Road by turning right onto Al Shohadaa Road, followed by turning right into the first slip road onto Bedouin Oasis Camo Road.

Access and Egress

The Property can be accessed from both Mohammed Bin Zayed Road and Emirates Road, twomajor thoroughfares connecting both Dubai and Ras Al Khaimah.

The Property can be accessed by traffic travelling north east on Emirates Road by turning right onto Al Shohadaa Road, followed by turning right into the first slip road onto Bedouin Oasis Camo Road.

The Property can also be accessed by traffic travelling south east on Al Shohadaa Road via the slip road onto Bedouin Oasis Camo Road.

The Property comprises an under construction hotel upon two unleveled, irregular shaped plots of land totaling approximately 194,144.69 sq m (2,089,754.03 sq ft).

Title Deed pertaining to the Subject Property, details listed are as follows:

- **Plot Number:** Plot No. 5003 and 5004
- **Title:** Freehold
- **Total area:** 194,144.69 sq m (2,089,754.03 sq ft)



Al Sadu

In the resource-scarce lands of the arabian peninsula, from bedouin ingennity emerged the craft of al- sadu, the traditional techique of weaving the hair of camels and the wool of goats and sheep into fabric for blackets, carpets, pillows, tents and the decoration of camels saddles and belts.

Al Sadu *Weaving*

"Because of Al Sadu's significance, it was inscribed in 2011 on the unesco "list of intangible cultural heritage in need of urgent safeguarding""

Al Sadu holds a place of particular honor in Emirati society, recognised for its wssential role on Bedouin life and as a tangible example of adaption and creativity.

It also represents one of the most valuable economic contribution that women made to thei society. Al Sadu also played a central role in the lives of traditional Emirati women.

Wavers often gather in small groups to spin and weave, exchanging family news and occasionaly chanting and reciting poetry.

The patterns/motifs are pictographic depiction of life in the desert.

Common motifs include geometric patterns evocative of teh region's including grasslands and sand dunes; palm trees and flowers; camels; sheeps and falcons; Quaranic verses; mosques and the names of tribes. These motifs can symbolise specific ideals.

